

CITY OF PULLMAN
Whitman County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Library Cash Receipting Controls And Documentation Should Be Strengthened And Improved

During our review of cash receipting at the Neill Public Library, we noted the following weaknesses:

- a. Access to the change fund and cash drawer is not restricted and the drawer has no lock.
- b. The petty cash fund and receipts waiting deposit are held in a desk that does not lock, in an office with no door, in an area easily accessible by employees and library patrons.
- c. Deposits are made twice a week. Although cash receipts are counted daily, receipts waiting deposit are commingled. One day's receipts may be counted as many as four times by as many as four different people before being deposited.
- d. Individual receipts are not issued for each receipting transaction and the computerized receipting system does not provide detailed reports by transaction.
- e. Receipts from the public copy machine are collected, counted, and deposited by one person. Receipts collected are not compared to the document count provided by the copier.
- f. There are no formal written policies on the waiver of fines and fees. Waivers are processed at the discretion of each individual employee. Fine and fee waivers are not documented, supported, reviewed, or approved.
- g. Fictitious transactions are entered into the computer system to provide training for new employees. These transactions are not tracked or accounted for. System generated management reports cannot be reconciled to total fines and fees assessed, collected, refunded, or waived.

These weaknesses result in incompatible duties being performed, inadequate safeguarding of assets, limitations on the assignment of accountability for cash receipts, and unsupported transactions.

RCW 43.09.200 requires the State Auditor to prescribe uniform accounting systems, and states in part:

The system will exhibit true accounts and detailed statements of funds collected, received and expended . . . The accounts shall show the

receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

The absence of adequate receipting controls and transaction documentation increases the likelihood that errors and irregularities may occur and not be detected in a timely manner.

We recommend that the library strengthen receipting controls and improve transaction documentation by:

- a. Limiting access to the change fund and cash drawer by having a lock installed and keeping the drawer locked when unattended.
- b. Safeguarding receipts and other funds in a safe or other secure location which has limited access.
- c. Maintaining the integrity of each days receipts until deposit.
- d. Supporting receipt transactions with individual, sequentially numbered receipts or detailed system reports where entries are numerically controlled.
- e. Determining the reasonableness of receipts by comparing moneys collected to the document count from the copier.
- f. Developing formal policies for fine and fee waivers which include procedures related to documentation and approval.
- g. Tracking training transactions entered into the system or creating a separate library branch in the system to be used for that specific purpose.

2. Cash Receipting And Revenue Collections Controls Should Be Strengthened At The Public Services Department

During our review of the Public Services Department, we noted the following cash receipting weaknesses:

- a. A significant number of activity enrollments are received in the mail. The person who opens the mail also enters the enrollments and receipts the fees.
- b. The head cashier has a security level which includes the ability to change the fee schedule.

As a result of these weaknesses, incompatible duties are being performed and the completeness of receipts cannot be reasonably determined.

We also noted the following revenue collection weaknesses:

- a. The department operates a RV park with 24 spaces at a fee of \$12 per night. Collections for use of the RV park are completely on the honor system. When payment envelopes are collected at the park, it is not inventoried as to full and empty spaces. Park use is not monitored from 5:00 p.m. on Friday to 8:00 a.m. on Monday.
- b. Payments received in the office do not indicate the space number or time frame when the park will be used.
- c. There are no formal procedures for reserving a space in the park. Reservations are taken over the phone and pertinent billing information is not always obtained. Deposits for reserved spaces are suggested but not required.
- d. Payments received are not compared to the reservations book to determine nonpayments or spaces that should be removed from the reservations board and made available to other potential users.
- e. The park has experienced long-term users since June of 1994 due to state road construction in the area. No procedures have been established to determine that payments are made timely or that these users are current on their park fees. Audit procedures identified at least two users who were more than a month behind in their payments. No payments could be identified for one user, and the other appeared to owe approximately \$600. Department personnel were not aware of this situation.

These weaknesses result in an increased likelihood that income from the use of public property is not being collected, or that revenues from the potential use of the property are being lost.

We recommend that the Public Services Department strengthen cash receipting and revenue collection controls by:

- a. Implementing the proper segregation of duties over mail receipts and computer access.
- b. Developing procedures to adequately charge and collect income related to the use of the RV park.

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Schedule Of Federal Findings

1. The City Should Improve Its Accounting For Fixed Assets

Our review of the city's fixed assets revealed the following weaknesses:

- a. Assets in excess of the city's capitalization policy of \$5,000 are not consistently identified and accounted for in the general fixed asset account group.
- b. Asset additions are not consistently issued property control tags.
- c. The physical inventories of the city's fixed assets are incomplete. The resulting property control records are insufficient to verify the existence, location, and condition of property owned by the city.
- d. The city's written policies and procedures for fixed asset record maintenance are not uniformly implemented.

The "Common Rule," for *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments*, Subpart C, Section_.32, Equipment, (4)(d) states in part:

- (1) Property records must be maintained that include . . . a serial number or other identification number . . .
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property . . .

RCW 43.09.200 requires the State Auditor to prescribe uniform accounting systems. The State Auditor prescribes the *Budgeting, Accounting and Reporting System* (BARS) manual which states in Volume 1, Part 3, Chapter 7:

Accountability for fixed assets is required of all local governments, regardless of size. In addition, fixed asset accounting is required for cities and counties of over 8,000 population . . .

The BARS manual further states:

An adequate fixed asset accounting system will enable your government to meet statutory requirements, to produce adequate records and reports, and to safeguard assets properly.

Because these weaknesses exist, the city is unable to:

- a. Fix responsibility for safeguarding fixed assets.
- b. Fix responsibility for custody and proper use of fixed assets.
- c. Properly manage fixed assets.
- d. Ensure compliance with state and federal requirements.

We recommend that the city:

- a. Maintain complete and accurate property control records.
- b. Conduct a complete physical inventory at least once every two years.
- c. Implement policies and procedures for fixed assets record maintenance on a consistent basis.

2. The City Should Establish An Integrated Grant Accounting System

The city's accounting system does not adequately identify the use of grant funds. Expenditures reported in the requests for reimbursement are prepared from departmental records which may not agree to the expenditures recorded in the centralized accounting system.

RCW 43.09.200 requires the State Auditor to prescribe uniform accounting systems. The State Auditor prescribes the *Budgeting, Accounting and Reporting System* (BARS) manual which states in Volume 1, Part 3, Chapter 5:

The United States Office of Management and Budget (OMB) Circular A-128 "Audits of State and Local Governments," established many specific audit requirements. Those requirements, in turn, include or necessitate the following accounting procedures.

1. Grant accounting must be integrated with the recipient's general accounting records. Claims for reimbursements or advances are supportable by the books and records.

OMB Circular A-87, *Cost Principles for State and Local Governments*, Attachment A, Part C.1. "Factors affecting allowability of costs" states in part:

To be allowable under a grant program, costs must meet the following general criteria:

- f. Not be allocable to or included as a cost of any other federally financed program in either the current or a prior period.

Without integrated grant accounting, the city is unable to assure that costs are not double billed or cross charged to more than one grant or that the centralized accounting records will agree with specific departmental grant files.

Staffing and software limitations have restricted the city's establishment of the account coding structure necessary to accomplish the required integrated grant accounting.

We recommend the city establish and implement an integrated grant accounting system.